

● ★ ★ ★ ★

THE APPLICATION OF THE WESTERN)
ROCKCASTLE WATER ASSOCIATION, INC., FOR)
(1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND PERMITTING)
SAID WATER ASSOCIATION TO CONSTRUCT A)
WATERWORKS DISTRIBUTION SYSTEM, CONSISTING)
OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS) CASE NO. 9145
TO THE EXISTING WATER DISTRIBUTION SYSTEM:)
(2) APPROVAL OF THE PROPOSED PLAN OF)
FINANCING OF SAID PROJECT: AND (3) APPROVAL)
OF THE WATER RATES PROPOSED TO BE CHARGED)
BY THE ASSOCIATION TO ITS CUSTOMERS.)

2. Provide a depreciation schedule for the proposed waterworks construction project.

3. Provide monthly revenues and operating expenses for each month of the proposed test period of August 1, 1983, through July 31, 1984.

4. The income statement in Exhibit "H" of the application shows an income item labeled "State Highway Department" in the amount of \$22,423 and an expense item labeled "State Highway Department" in the amount of \$21,974. Please explain the purpose of these funds and the difference in the two amounts.

5. The income statement in Exhibit "H" of the application shows a net loss for the test year of \$10,606 while the income statement in Exhibit "N" shows a net loss of \$3,422 for the same period. Please explain this discrepancy.

6. Provide copies of bills for water purchased during the test period.

7. For the test year, provide the number of gallons of water sold to residential customers and the average number of such customers.

8. Is Western Rockcastle aware of the Commission's policy of disallowing depreciation on facilities provided through contributions in aid of construction for rate-making purposes? Provide a narrative discussion of Western Rockcastle's position on this issue if it is opposed to such rate-making treatment.

9. For each employee and commissioner of Western Rockcastle, provide the following information for the test year:

a. The name, title, and total compensation received during the test period. Include a description and the amount of any fringe benefits paid for each employee and commissioner.

b. Total number of regular and overtime hours worked.

c. A complete description of the duties and responsibilities of each employee and commissioner.

d. For each employee and commissioner, provide an analysis showing changes in the level of wages, and other compensation, from January 1, 1982 to the present. The analysis should include the date, the amount, and the percentage of each change.

e. For each commissioner, provide the approximate amount of time required monthly to fulfill his duties and responsibilities in official utility business.

10. Provide the date of each commissioner's meeting held during the test period and indicate the total number of commissioners in attendance at each meeting.

11. With reference to Exhibit "H," provide a detailed analysis of the following expenses. Include in the analysis the check or voucher number, payee, the amount, the date, and a description of the services, materials and/or labor provided in each transaction. Items of less than \$50 may be grouped with a general description of the costs included in each group.

| | |
|----------------------------|----------|
| a. Legal and Accounting | \$ 3,892 |
| b. Utilities | 4,542 |
| c. Miscellaneous | 1,544 |
| d. Office Expense | 2,733 |
| e. Repairs and Maintenance | 7,959 |
| f. Travel Expense | 3,734 |
| g. Insurance Expense | 2,036 |
| h. Rent Expense | 8,150 |

12. In regard to the proposed adjustment of \$9,187 to purchased water expense, provide an explanation of the derivation of the figure 9,500.6 on page 2 of Exhibit "N" of the application.

13. Provide the basis for the proposed adjustment of \$1,500 to pumping expense.

14. Provide the basis for the proposed adjustment of \$400 to insurance expense. Were any rates quoted by insurance agents?

15. Provide a copy of the lease agreement for the rental of the office and warehouse. If no written document exists, provide complete details of any oral agreement, including a copy of the minutes of the board meeting approving such an agreement. Also, provide the name of the owner and the location and size of the building(s) rented as well as the uses of the property. Considering that the proposed adjustment to rent expense amounts to an increase of 62 percent, has Western Rockcastle considered renting alternative facilities?

16. What is the nature of the item of other income labeled "Telephone Commission" on Exhibit "N" of the application. Provide a description of any expenses associated with the generation of this income, if applicable.

17. Of the anticipated 210 customers to be added, how many are expected to be residential customers?

18. In regard to the following proposed adjustments, explain the reason that these should be based on the number of anticipated additional customers.

| | |
|---------------------------|----------|
| a. Truck (travel) Expense | \$ 1,079 |
| b. Supplies | 789 |
| c. Postage | 222 |

19. Provide an explanation of and the basis for the credit to surplus (Account No. 434) in the amount of \$15,474 shown on page 9 of the 1983 annual report.

20. According to the balance sheet in Exhibit "H" of the application, Western Rockcastle had an amount of \$19,755 in an account labeled "Water Deposits." What is the nature of these funds? Provide an explanation of Western Rockcastle's security deposit policies, specifically regarding computation of the amount, length of retention and payment of interest.

21. What is the source of the rental income of \$3,660 reported for the test period? Provide a description of any expenses associated with the generation of this income, if applicable. Also, provide the basis for the proposed adjustment of \$2,200 to this income item.

22. Provide the assumptions and calculations involved in arriving at the revenue requirement requested in the application. Is Western Rockcastle aware that principal payment amounts should not be included on an income statement as was done in Exhibit "N" of the application?

23. Provide an explanation for the discrepancy between the amount of \$6,976 labeled "Mortgage Payments" in Exhibit "H" and the amount of \$7,180 labeled "Principal Payments in Debt" in exhibit "N" of the application.

24. In the explanation given by Western Rockcastle regarding the proposed adjustment of \$9,187 to purchased water

expense, an amount of gallons of water was multiplied by 1.15. Is Western Rockcastle aware that, according to 807 KAR 5:067, Section 2 (3), the method of calculating allowable water purchases is to divide actual water sales in gallons by .85? Provide the adjusted purchased water expense based on this methodology or an explanation of why this methodology should not be used in this case.

25. It appears that Western Rockcastle may have changed to the accrual method of accounting during the test period (fiscal year ending July 31, 1984). Did such a change occur during the test period? If so, provide details, including amounts and descriptions, of bills paid at the beginning of the test period for costs incurred before the beginning of the test period. Also, provide details regarding revenues received during the test period for services rendered prior to the test period.

26. With regard to the change in accounting methods, provide details of any other transactions or entries to the books which would affect test-period financial statements.

27. On page 6, Exhibit C, of the application, a schedule of proposed rates is shown as a part of the FmHA letter of conditions. This same schedule of proposed rates is used in the billing analysis to calculate proposed revenue; however, Exhibit G shows a different level of rates. Please explain the reason for the different rate schedules, designate the correct one for use in this case and provide evidence of the rate schedule advertised to customers.

28. Various documents on file with the commission show the number of current customers as follows:

| | |
|-----------------------------|---------------|
| 1983 Annual Report | 711 Customers |
| Exhibit C, Page 2 | 702 Customers |
| Billing Analysis, Exhibit M | 727 Customers |
| Exhibit H, Page 8 | 725 Customers |

What is the correct number of current customers?

29. Exhibit M, page 3, shows anticipated usage of 9,590,600 gallons of water by 210 new customers expected to be added. Explain the basis upon which this usage projection was made.

30. Western Rockcastle's approved tariff provides for separate minimum bills and usage levels for 3/4-inch, 1-inch, 1 1/2-inch and 2-inch meters. Please explain why these were omitted from the proposed rates.

31. Provide a list showing the number of customers receiving service from each of the larger meters.

32. Were the larger meter customers included in the billing analysis?

33. Will any of the new customers be served through meters larger than 5/8-inch? If so, please provide a list showing the number of customers and meter sizes.

Done at Frankfort, Kentucky, this 29th day of November, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary